



Austin Energy Quarterly Briefing FY 2012 - 3rd Quarter



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City Council Work Session
October 30, 2012

Topics



- Customer Care and Billing System Implementation Update
- Power Supply Adjustment
- 2012 Generation Plan Update
- 3rd Quarter FY 2012 Financial Update

Rates and Billing Implementation Update



- AE rate implementation October 1
 - System operational and stable
 - Bills printed and mailed October 5
 - Began the switch from summer to non-summer rates

- Other City utility adjustments (Water, Resource Recovery)
 - Simple rate changes November 1, 2012
 - Structural rate changes February 1, 2013

Power Supply Adjustment (Fuel Adjustment)



POWER SUPPLY ADJUSTMENT (PSA)- Effective October 2012

- Line item on electric bill includes:
 - Fuel costs (gas, coal, nuclear)
 - Purchased power agreement costs (wind, biomass, solar)
 - ERCOT settlement costs and credits (netted)
 - Over/under recovery balance for preceding period



- Reviewed by Risk Oversight Committee Monthly
 - Composed of AE and COA executives

- PSA based on 3 key components
 - Current over / under collection based on actual costs / revenues to date
 - Projected cost through 2013
 - Forecasted demand
 - Forecasted prices for fuel and power
 - Known contract costs for fuel and power
 - Forecasted revenue based on generator availability and output tied to market expectations

Reduction in PSA Effective October 2012

Voltage	Previous Fuel Adjustment (Cents/kWh)	Current Power Supply Adjustment (Cents/kWh)
System Average	3.598	3.356
Secondary	3.615	3.372
Primary	3.508	3.296
Transmission	3.471	3.254

Goals



1

Achieve 35% **renewable** energy supply by 2020 (200 MW solar & 1,100 MW wind)

2

800 MW of demand savings by 2020 through **energy efficiency**

3

Reduce CO₂ **emissions** to 20% below 2005 levels by 2020

Maintain **affordable** rates:

- Future increases not to exceed 2% per year
- Lower 50% of Texas overall

- AE is well on its way to achieving its 2020 renewable goal
 - 196 MW short-term Penescas Wind October 2011
 - 30 MW Webberville Solar Project operational December 2011
 - 100 MW Nacogdoches Biomass Project operational June 2012
 - 202 MW Los Vientos Wind scheduled for December 2012
 - 91 MW Whitetail Wind scheduled for December 2012
- By 2013, AE forecasts 27% of customer energy supply to be from renewable sources
- AE projects future additions to meet its goal of 35% by 2020 and maintain it thereafter





- 30 MW utility-scale solar (December 2011)



- 100 MW biomass (June 2012)



- 291 MW wind (December 2012)

- **Demand Side Management Programs**

- Load Co-Op
- Power Saver™
Thermostat Program
- ECAD ordinance
- Zero-energy capable homes
- Rebate/loan incentives

- **Achieved 700 MW savings from 1982-2007**

- **Additional 800 MW of demand savings goal 2008-2020**

Total: 1,500 MW from 1982 – 2020



- Fayette Power Project (FPP coal plant) represents approximately 75% of annual CO₂ emissions
- Meeting the CO₂ Goal requires a significant reduction of FPP's contribution
- Natural Gas Combined Cycle generation is in the Council approved plan to meet future power supply needs for base generation.

** As approved by City Council, April 22, 2010*

MEGAWATT CAPACITY

Year	Coal	Nuclear	Gas	Biomass	Wind	Solar	Renewable Portfolio
2013	602	436	1,497	112	849	36	27.5%
2014							27.3%
2015					150	25	31.6%
2016					100 ³	25	29.9%
2017			200		100 ³	25	30.6%
2018			800 ²		100 ³	30	31.9%
2019					35	25	32.7%
2020					75	34	35.0%
2021					25		35.0%
2022					25		35.1%
Capacity 2020	367¹	436	2,497	112	1,137	200	Total 4,382

Notes:

1) Capacity equivalent to meet CO₂ Goal

2) Forecasting natural gas combined cycle additions up to 1,000 MW by 2019, subject to change

3) Wind contract replacements for contracts expiring 2016-2018 (Total net of retirements)

4) Additional note: Plan assumes achievement of DSM goals

* As approved by City Council, April 22, 2010

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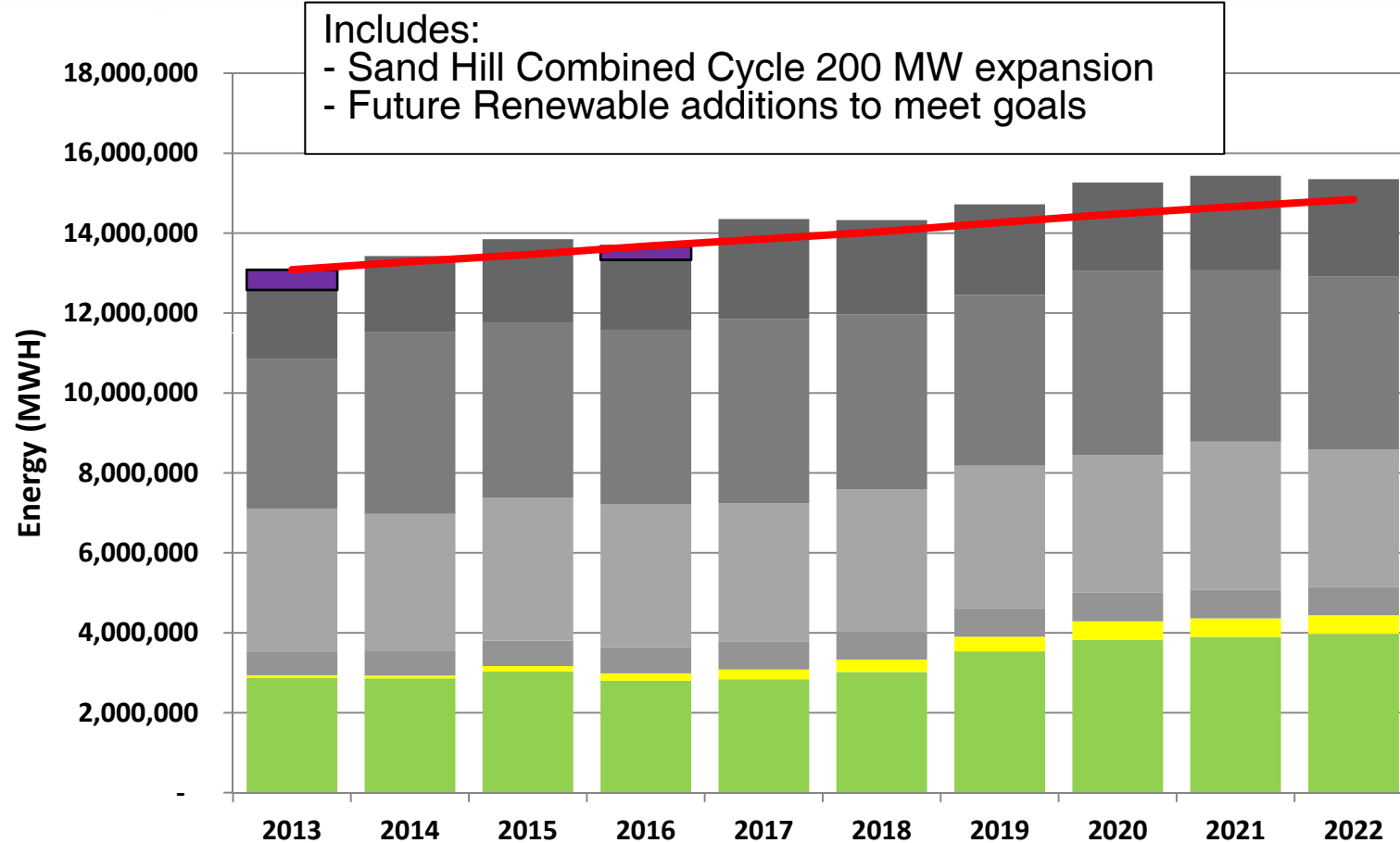
Generation Assets



Unit	Year Installed	Nameplate Rating (MW)	Fuel
<u>Fayette Power Project</u>			
Unit No. 1	1979	285	Coal
Unit No. 2	1980	285	Coal
<u>Decker Power Station</u>			
Unit No. 1	1970	321	Gas
Unit No. 2	1977	405	Gas
Gas Turbines	1988	200	Gas
<u>Sand Hill Energy Center</u>			
Gas Turbines	2001	180	Gas
Gas Turbines	2010	90	Gas
Combined Cycle	2004	300	Gas
<u>Mueller Energy Center</u>			
	2006	5	Gas
<u>South Texas Nuclear Project</u>			
Unit No. 1	1988	200	Nuclear
Unit No. 2	1989	200	Nuclear
<u>Renewables</u>		778	
Total AE Capacity including Renewables		3,249	

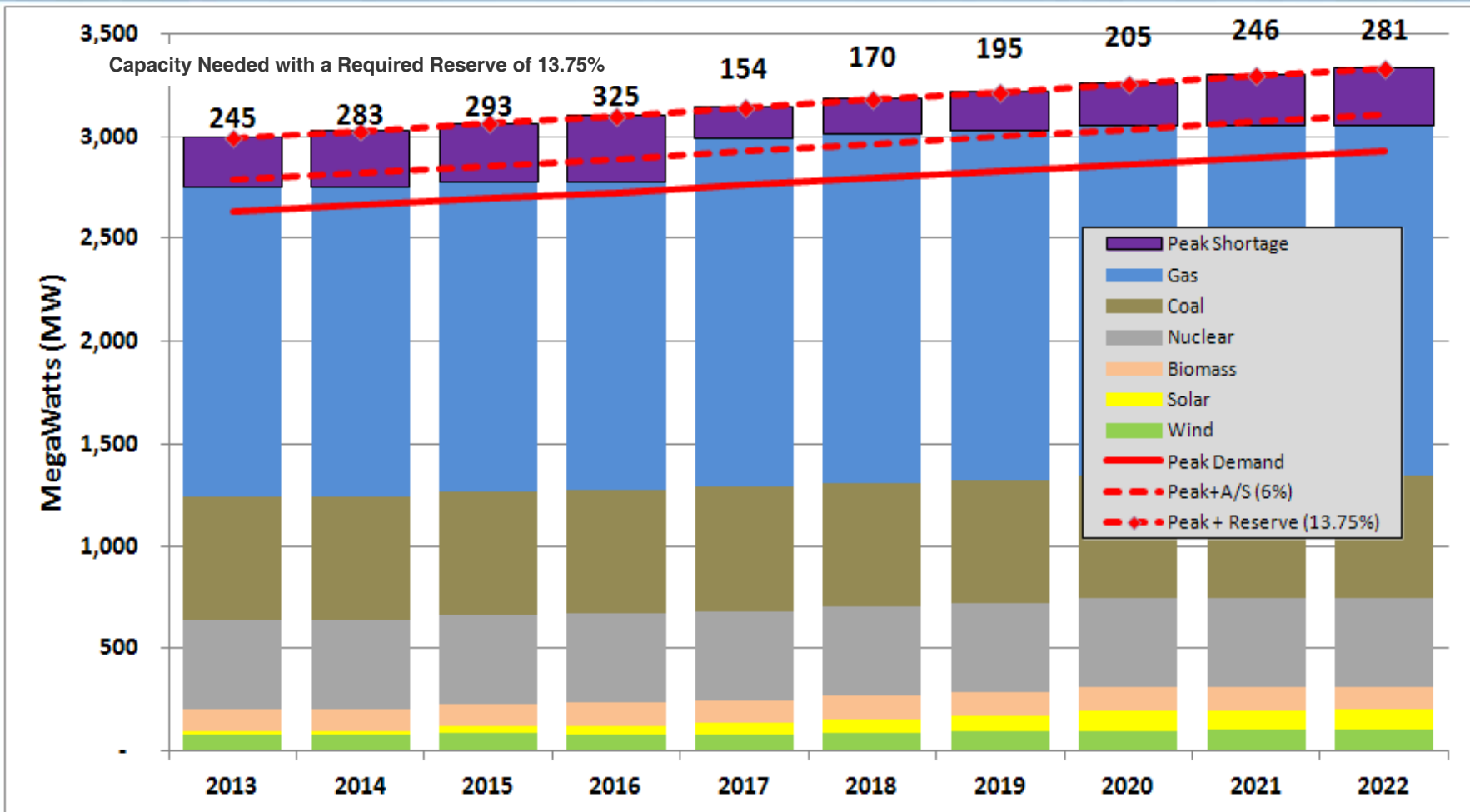


Energy Requirements vs. Supply Capability



Market Purchase Gas Coal Nuclear Biomass Solar Wind Customer Energy Requirements

Capacity Requirements vs. Peak



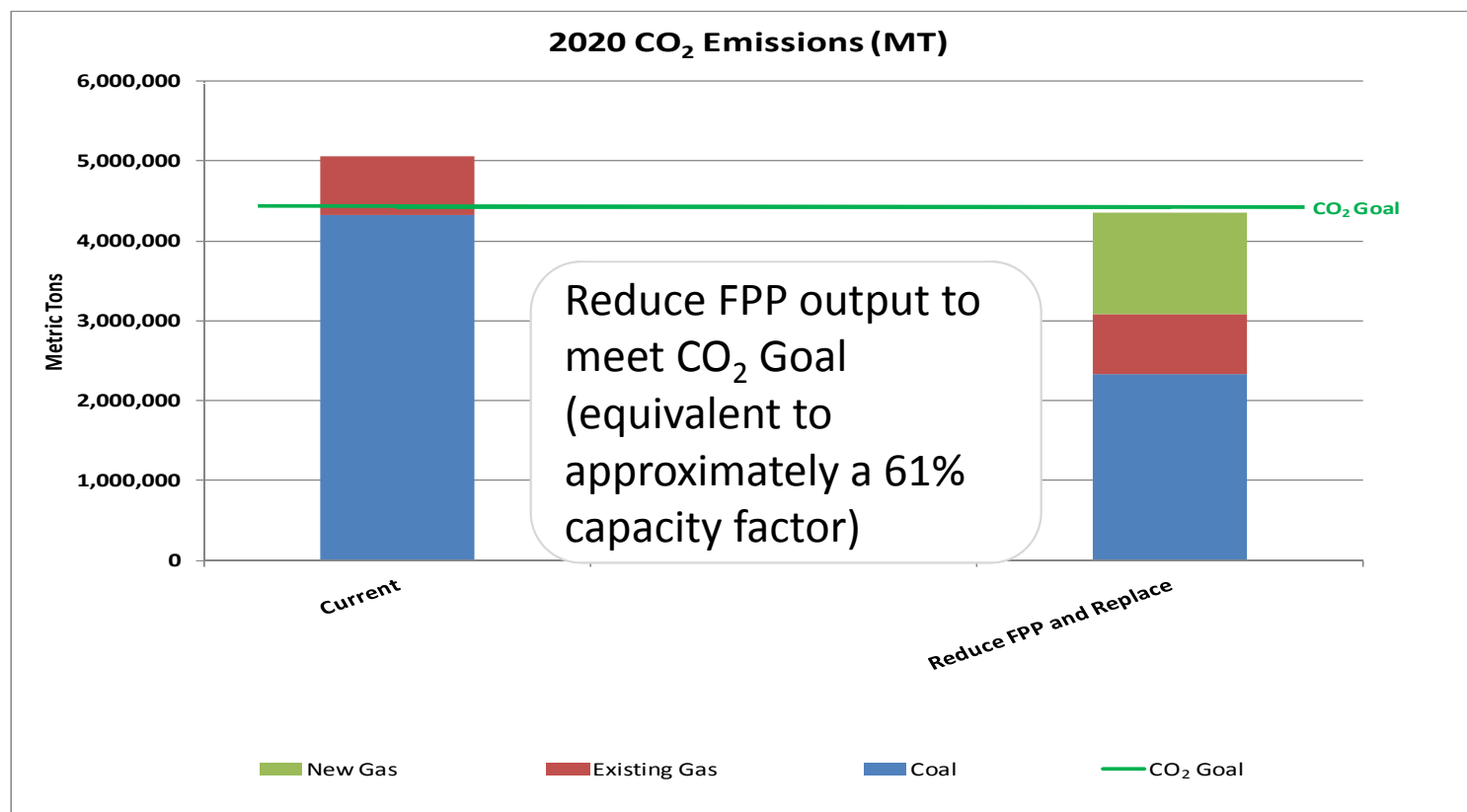
- Wind contributions for the peak – 8.75% of the capacity (ERCOT)
- Solar contributions for the peak – 50% of the capacity (AE)
- Includes Sand Hill Combined Cycle 200 MW expansion & future Renewable additions to meet goals

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CO₂ Reduction Goal



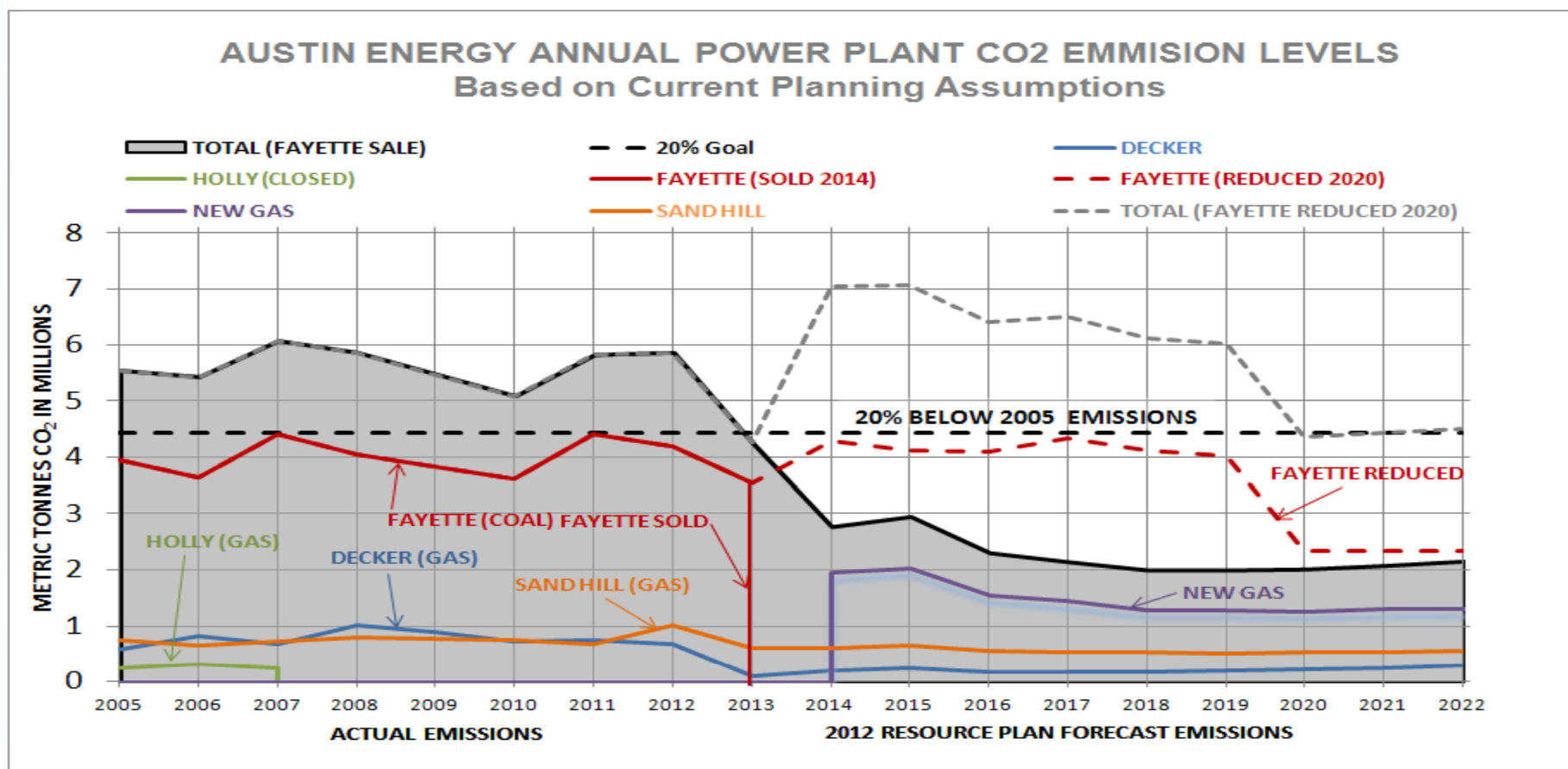
- The Fayette Power Project represents approximately 75% of annual CO₂ emissions
- Meeting the CO₂ Goal requires a significant reduction or removal of FPP's contribution



Options to be considered



1. Pursue additional natural gas combined cycle generation to replace FPP to support meeting 2020 CO₂ goal
2. Reduce FPP output to meet 2020 CO₂ goal



Summary



- The plan is designed:
 - To be flexible
 - To meet current goals
 - To remain affordable
- Asset purchases may impact both base and PSA rates
- Asset additions to reduce FPP output are likely to require a base rate increase
 - That base rate increases may be offset in part or in whole by PSA decreases
 - The net impact is expected to be affordable
- No commitments – AE will continue to study options

2012 YTD Q3 Financial Results

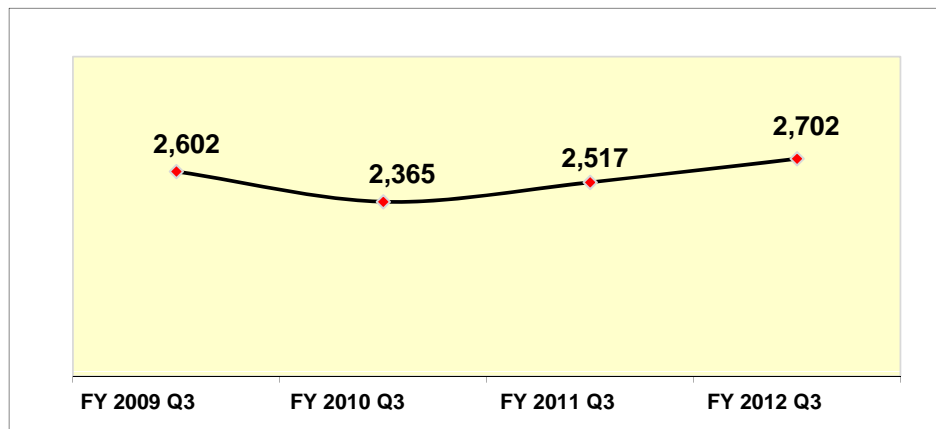
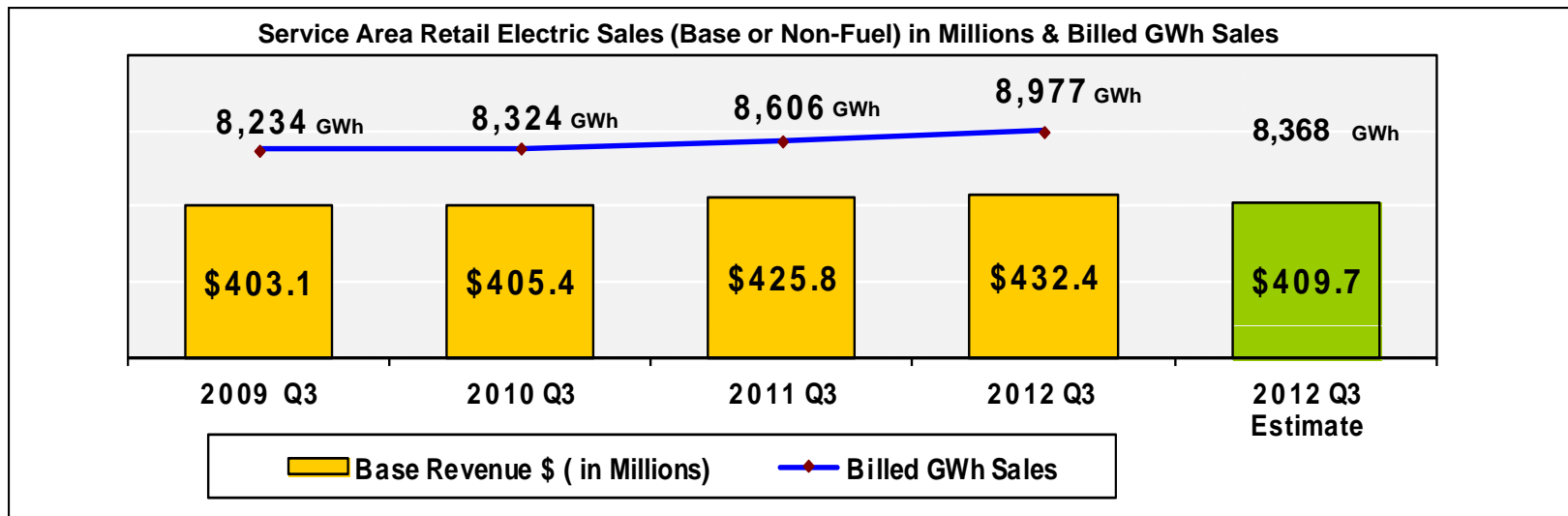
(9 months ended June 30, 2012)

2012 YTD Q3 Financial Results (9 months ended June 30, 2012)



(\$ millions)	Amended Budget 2011-12	Q3 FY12 Projection	Actual Q3 FY 12	Difference Actual to Projection
Beginning Balance	\$115.4	\$115.4	\$143.5	\$28.1
Base and Other Revenue	730.5	495.2	529.7	34.5
Fuel Revenue	408.9	282.9	292.0	9.1
Transfers In	0.0	0.0	0.0	0.0
Total Available Funds	\$1,139.4	\$778.1	\$821.7	\$43.6
Fuel Cost	408.9	282.9	292.0	(9.1)
Non-Fuel Operating Expense	452.5	347.3	328.9	18.4
Debt Service	175.1	106.6	101.0	5.6
Transfers	182.1	136.7	136.7	0.0
Total Expenditures	\$1,218.6	\$873.5	\$858.6	\$14.9
Excess(Deficiency)	(79.2)	(95.4)	(36.9)	58.5
Ending Balance	\$36.2	\$20.0	\$106.6	\$86.6

2012 YTD Q3 Revenue Highlights



- **AE System Peak Demand**
(Megawatts or MW)
 - 2,702 MW on June 26 at 4 p.m.
 - Temperature 105 degrees at peak
 - Weather up to that time relatively mild compared to 2011
 - Sufficient owned & purchased power to meet customer demand

2012 Budget & Year End Estimate



<i>(\$ millions)</i>	<i>Amended Budget 2011-12</i>	<i>Estimated 2011-12</i>	<i>Difference Budget to Estimate</i>
<i>Beginning Balance</i>	<i>\$115.4</i>	<i>\$143.5</i>	<i>\$28.1</i>
<i>Base and Other Revenue</i>	730.5	756.2	25.7
<i>Fuel Revenue</i>	408.9	427.1	18.2
<i>Total Revenue</i>	<i>\$1,139.4</i>	<i>\$1,183.3</i>	<i>\$43.9</i>
Transfers In – Strategic Reserve Fund	0	25.0	25.0
<i>Total Available Funds</i>	<i>\$1,139.4</i>	<i>\$1,208.3</i>	<i>\$68.9</i>
<i>Fuel Cost</i>	408.9	427.1	(18.2)
<i>Non-Fuel Operating Expense</i>	452.5	452.5	0.0
<i>Debt Service</i>	175.1	166.5	8.6
Transfers	182.1	182.1	0.0
<i>Total Expenses</i>	<i>\$1,218.6</i>	<i>\$1,228.2</i>	<i>(\$9.6)</i>
<i>Excess(Deficiency)</i>	(79.2)	(19.9)	59.3
<i>Ending Balance</i>	<i>\$36.2</i>	<i>\$123.6</i>	<i>\$87.4</i>

Future Quarterly Updates



Performance Measures and Benchmarking are under development

Conclusion and Questions



Questions?

